

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
CP2015-80 Contract 123

Docket No. MC2015-52

Competitive Product Prices
CP2015-80 Contract 123 (MC2015-52)
Negotiated Service Agreement

Docket No. CP2015-80

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE'S REQUEST TO AMEND AND EXTEND
CONTRACT 123

(June 12, 2018)

I. Introduction

The Public Representative hereby provides comments pursuant to the Commission Notice initiating this docket.¹ In that Notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's request to Amend and Extend Priority Mail Contract 123 to the competitive product list.²

¹ PRC Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, June 5, 2018 (Notice).

² Requests of the United States Postal Service to Amend and Extend CP2015-80 Contract 123, June 1, 2018 (Request).

Under 39 U.S.C. § 3642(b) the criteria governing Commission review are whether the product (1) qualifies as market dominant, (2) is covered by the postal monopoly and therefore precluded from classification as a competitive product, and (3) reflects certain market considerations, including private sector competition, the impact on small businesses, and the views of product users.

Pursuant to 39 U.S.C. § 3633(a), the criteria for the Commission's review are that the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

After noting that original contract fell minimally below 100 percent in ACD FY2017, the Commission directed "...the Postal Service to report within 30 days of issuance of this ACD on the result of its review of the cost model underlying Priority Mail Contract 123 and on any additional steps it plans to take to improve cost coverage."³ The Postal Service filed USPS-FY17-NP46 - Nonpublic Material Provided Within the 30-Day ACD Response (ACD Response), on April 26, 2018. The workpapers filed in its ACD Response show that it had under-reported revenues from this NSA by nearly 94 percent, and under-reported costs by nearly 92 percent. Absent these errors, the reported cost coverage for this NSA would have been greater than 100 percent.⁴

³ Docket No. ACR FY2017, Postal Regulatory Commission, Annual Compliance Determination Report, Fiscal Year 2017, March 29, 2018, at 84.

⁴ See, USPS.FY17.NP46.PM.Contract.123, filed April 26, 2018.

II. Comments

The Public Representative has reviewed the Postal Service's Requests for Amending and Extending Contract 123, Statement of Supporting Justification, attached Contract, and Certification of Compliance with 39 U.S.C. § 3633(a). The Public Representative has also reviewed the supporting financial models for the Amendment filed separately under seal. The Public Representative finds that updated values supporting Priority Mail NSAs, which it submitted in Docket No. ACR FY2017, USPS-FY17-NP27, yield cost coverage for the extended contract greater than 100 percent. The Public Representative concludes that the Amended and Extend Contract should cover its attributable costs, will not cause cost coverage for the product to fall below 100 percent, and therefore complies with the requirements of 39 U.S.C. § 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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